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 2 UNITED STATES DISTRICT COURT
 3 SOUTHERN DISTRICT OF NEW YORK
 4 MEDTECH PRODUCTS INC.,
 5 Plaintiff,
 6 v.
 7 RANIR, LLC and
 8 CVS PHARMACY, INC.,
 9 Defendants.
 10 MEDTECH PRODUCTS INC.,
 11 Plaintiff,
 12 v.
 13 DENIEK ORAL CARE, INC.,
 14 Defendant.
 15 MEDTECH PRODUCTS INC.,
 16 Plaintiff,
 17 v.
 18 POWER PRODUCTS, INC.,
 19 d/b/a SPLINIEK,
 20 Defendant.
 21

22 Before: White Plains, N.Y.
 23 THE HONORABLE LISA MARGARET SMITH,
 24 Magistrate Judge
 25 Proceedings recorded by
 26 electronic sound recording.

MARY M. STATEN, CSR, RPR, RMR
 (914) 390-4027

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1 APPEARANCES
 2 ALSTON & BIRD, LLP
 3 Attorneys for Plaintiff
 4 W. EDWARD RAVAGE
 5 KARL GERCKEN
 6 KIRKPATRICK & LOCKHART
 7 Attorneys for Defendant Power Products, Inc.
 8 KATHY DUTTON HEIMER
 9 PRESTON, GATES & ELLIS, LLP
 10 Attorneys for Defendant Power Products, Inc.
 11 HARRY PICKENS
 12 Via Telephone
 13 PROSKAUER ROSE
 14 Attorneys for Defendant Deniek Oral Care, Inc.
 15 JAMES SHALEK
 16 GREGORY J. SIECZKIEWICZ
 17 - - -
 18 THE DEPUTY CLERK: Your Honor, this is in the matter
 19 of Medtech versus Ranir, et al. It's consolidated.
 20 Messrs. Gercken and Ravage for the plaintiff.
 21 Ms. Helmer is here, Mr. Sieczkiewicz and Mr. Shalek.
 22 Mr. Pickens is available by telephone.

23 THE COURT: Good morning.

24 I've reviewed the file. I've reviewed the transcript
 25 of the last appearance in which Judge Bryant resolved the
 26 issue of the preliminary injunction. I've reviewed the motion
 27 for leave to file an amended complaint, the opposition from
 28 Deniek, and the reply to that.

29 Is there anything else on the motion that I ought to
 30 be aware of?

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 1 Who should I be looking to here? Is it Mr. Ravage?
 2 MR. RAVAGE: Mr. Ravage, your Honor.
 3 THE COURT: Ravage.
 4 MR. RAVAGE: That's right. Mr. Galvin pronounced it
 5 the same way half my family does, so . . .
 6 With regard to that motion, I believe the briefing has
 7 been completed on that.

8 There is another matter with regard to some timing of
 9 some depositions. We filed a brief motion on that this
 10 morning, and I believe it would be an appropriate matter for
 11 the parties -- Deniek in this case, counsel for Deniek, and
 12 plaintiff -- to take up perhaps before your Honor for some
 13 guidance on that.

14 There also was a preliminary housekeeping matter.
 15 We have severed with Ranir and CVS Pharmacy in this
 16 case. They have been dismissed. We were not sure of the
 17 procedure the Court would like us to follow with regard to
 18 correcting the caption. I have simply identified several
 19 different ways in several different courts including just
 20 automatically making the correction, filing a stipulation to
 21 the correction.

22 I ask the Court, what would you prefer in this case?
 23 THE COURT: Typically, we don't worry about changing
 24 the caption. We just let things go forward. It's very
 25 complicated for the Clerk's Office to try to change things.

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 1 And then they come in, in a variety of other ways. So
 2 typically, we just leave it with the lead party, even though
 3 they're no longer in.
 4 And it is at least my practice that pleadings don't go
 5 in to the jury, anyway, so it's a matter of housekeeping that
 6 we don't have to worry about. Don't spend any time worrying
 7 about it.

8 All right. So is there anything further you want to
 9 say in support of the motion to amend?

10 MR. RAVAGE: The only thing with regard to the motion
 11 to amend, your Honor, is very simply that we don't see any
 12 delay by granting the motion to amend. We don't think that
 13 granting the motion to amend will slow this case down.

14 Obviously, what we did with Judge Bryant was agree to
 15 a super rocket docket, a super accelerated case in discovery.
 16 All our depositions have to be completed by September 21st, and
 17 discovery concluded shortly thereafter.

18 Ms. Kaplan's role and activities already are subject
 19 to discovery requests. She's already been identified as a
 20 party of interest in this case. She's going to be deposed in
 21 this case. And I'd like Ms. Kaplan to be produced in this
 22 case.

23 The only inefficiency is if we're required to file a
 24 separate lawsuit bringing these claims, with the likelihood or
 25 possibility that that case might end up being consolidated with

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1 this case. And simply, I'd ask that the motion be granted.

2 THE COURT: Do you have any response to the assertion
3 that you ought to be required to specify the — I didn't see
4 anything in your reply — the — let me see if I can find
5 the — that you ought to provide a detailed description of the
6 confidential information, purportedly proprietary, which was
7 misappropriated?

8 MR. RAMEGE: No, no. Ms. Kaplan was one of the
9 principal five officers of the company. She was vice
10 president, I believe, in charge of marketing. She had intimate
11 access to marketing information, manufacturing information,
12 business relationships, including business relationships with
13 the three doctors at Tufts that are the subject of the subpoena
14 and deposition set for after the 23rd of this month.

15 Without deposing her, without looking at her
16 information, we can't, your Honor, get more specific than that,
17 because she, quite frankly, had access to all the confidential
18 information of the company. What specifically she disclosed,
19 the contact relationships she has, she currently is the brand
20 manager for DenTek for this competing brand. Given the overall
21 circumstances, until we conduct some discovery, until we take
22 her deposition, until we see what documents she has provided to
23 DenTek, we can't get more specific than that.

24 THE COURT: Okay. Thank you.

25 Should I be looking to Mr. Shalek or Mr. Siaczkiewicz?

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1 Is that close?

2 MR. SHALEK: Mr. Shalek. Thank you, your Honor.

3 Seen for what it is, I think Mr. Ramage's response is
4 a candid admission that there are no trade secrets or
5 confidential business information that they're able to
6 identify, and they have no business bringing in a new party and
7 raising a claim.

8 For example, he mentions business relationship with
9 three doctors. Those doctors have now been subpoenaed. They
10 are the leading experts in the world on the condition that is
11 at issue in this lawsuit, bruxism or grinding your teeth at
12 night. They're at Tufts Dental School and identifiable, well
13 known in the industry, easily identifiable.

14 However, the notion that there is anything
15 confidential about their existence, their knowledgeability and
16 approaching them for consultation is simply not something that
17 will withstand any kind of scrutiny, without some
18 identification of what it is that they claim was proprietary
19 still, and we have no way of judging relevance of their
20 request. We have no way of really assessing what impact this
21 kind of claim will have on the schedule.

22 So I think that if there is some kind of claim here,
23 it's very important that we hear what it is early in order to
24 allow us to conduct discovery properly and evaluate its impact.
25 And I would submit that what Mr. Ramage has identified would

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1 not be sufficient to survive a motion for summary judgment.

2 And, your Honor, to be candid, if the Court were
3 inclined to grant leave to amend, we would immediately move for
4 a protective order seeking identification of the trade secrets
5 before moving forward with discovery.

6 THE COURT: What's the status with regard to
7 representation of the proposed new defendant?

8 MR. SHALEK: We know that she has spoken with outside
9 counsel and selected somebody that she likes. Whether that has
10 actually been finalized, in terms of crossing the "T's and
11 dotting the "I's, I don't know yet, your Honor.

12 THE COURT: So you're not representing her.

13 MR. SHALEK: I am not.

14 THE COURT: Well, Mr. Ramage, perhaps the right thing
15 to do, then, is to allow you to do your initial discovery, and
16 then allow you to make the motion. And I'll extend the date
17 for amending the complaint. And then, quite frankly, we'll
18 have to re-open depositions and go back and do things all over
19 again once she's in the case.

20 MR. SHALEK: Your Honor, on the discovery, we've got
21 four third-party subpoenas outstanding. They were served in
22 violation of the scheduling order to which we both agreed.
23 First, they were served too early. Second, they were served
24 before the responses to document requests. And third, we had
25 agreed for — the order specified that party depositions would

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1 go forward first.

2 We also weren't consulted before the subpoenas were
3 served, and extended the courtesy of discussing dates. So what
4 we have now are four subpoenas out there, which we think were
5 served in violation.

6 But if the Court's inclined to go forward, that's
7 fine. But we don't think it's appropriate, one, for them to
8 simply rummage through the files of third parties or our
9 client, identifying what it is that they're looking for, in
10 terms of confidential business information. That's not the way
11 the system works, is that you go out on a fishing expedition
12 looking for a claim. There has to be some indication of a
13 wrong and what was done wrong to lay out the parameters of
14 relevance.

15 And so that's the first issue.

16 And the second issue is, on the scheduling of these
17 third-party subpoenas, we would like to have the opportunity to
18 confer with the other side and pick some dates that are
19 convenient to all parties concerned. Although our belief is
20 that it's more efficient to wait until Ms. Kaplan is in the
21 case to move forward and she's represented. These depositions
22 impact her, as well.

23 THE COURT: Well, we're not — if we're waiting until
24 they have enough information to be able to withstand a motion,
25 then we're not holding other things in abeyance pending the

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1 possibility that Ms. Kaplan will subsequently be brought into
 2 the case. That's just not happening. We're moving forward
 3 with discovery with the parties that are currently in. And if
 4 it's necessary to go back and redo what's already been done and
 5 re-open depositions, then that's what we'll have to do. But
 6 I'm not going to hold things in abeyance pending the
 7 possibility of something that may or may not happen.

8 MR. SHALEK: I understand that, your Honor. But right
 9 now, there is no "trade secret" claim in the case. That was
 10 not in the original complaint. So technically, there is no
 11 claim in the case directed to purported misappropriation of
 12 confidential business information by anyone.

13 So you know —

14 THE COURT: Well, what are these subpoenas? I haven't
 15 seen them. I don't know what you're talking about with any
 16 specificity.

17 MR. SHALEK: Okay. They subpoenaed a former sales
 18 representative of the plaintiff, who was a consultant for
 19 Defendant DenTek for a two-month period. And they're basically
 20 going on a fishing expedition, hoping to find some movement of
 21 their confidential information into DenTek, and they assert a
 22 document request and subpoena, as well. That's one.

23 The other three subpoenas, which we just got last
 24 Friday afternoon, are essentially directed to three doctors at
 25 Tufts Medical School that have done some consulting for both

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 1 parties. And I assume that their theory is that there is
 2 something confidential about these world-renowned experts on
 3 this particular area. But what it is, we don't know.

4 And you know, as I mentioned, we're at a loss, your
 5 Honor, because right now, there is no claim directed to
 6 misappropriation of confidential information, and we have no
 7 idea what it is they're talking about, what they claim that
 8 we've taken, and why these people's depositions would be
 9 relevant to something that's in the case.

10 MR. RAVAGE: Your Honor, if I may address very briefly
 11 the four individuals.

12 The first individual is Ray Duane, Raymond Duane. He
 13 is far more than a former salesperson for Dental Concepts.

14 Let me give the Court just a very quick background.
 15 Medtech, plaintiff in this case, acquired Dental
 16 Concepts by acquisition in November of 1995, and paid a
 17 handsome sum for that acquisition.

18 THE COURT: Your motion says 2005. Should it —

19 MR. RAVAGE: Excuse me. 2005. I'm sorry.

20 It's been a long morning on a plane, your Honor, and
 21 I'm a little bit dehydrated.

22 And subsequent to that, right at the time they
 23 acquired, there were five primary individuals leading Dental
 24 Concepts, two of whom, Carol Kaplan and Ray Duane, have been
 25 discussed this morning.

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 1 Ray Duane, I believe he was the vice president in
 2 charge of marketing?

3 MR. SHALEK: Sales.

4 MR. RAVAGE: Sales. Excuse me. He's vice president
 5 in charge of sales. Carol Kaplan was the one vice president in
 6 charge of marketing.

7 And, in fact, in January of this year, we, through
 8 some e-mail conversation, he told us that he had done, in fact,
 9 a limited two-month consulting gig with DenTek, and we didn't
 10 think anything of it at the time. We thought it was over.

11 We were surprised about three weeks ago — and this is
 12 the reason for the subpoena that we filed two and a half weeks
 13 ago. We were surprised to find Mr. Duane representing DenTek
 14 at a National Association of Chain Drugstores conference in
 15 Boston, along with Carol Kaplan. In fact, he's listed in the
 16 attendance program as a consultant representing DenTek Oral
 17 Care, Inc.

18 Given the circumstances, he, like Carol Kaplan, signed
 19 a release agreement at the time of the acquisition. They were
 20 paid a handsome amount of money in order to maintain the
 21 information of Dental Concepts in confidentiality.

22 We believe that Carol Kaplan — that's the reason for
 23 the amendment — has violated that confidential agreement.
 24 Given Mr. Duane's involvement at this point, which is a
 25 surprise to us, we hear that he may, in fact, have also

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 1 violated that agreement. However, we don't want to sue him
 2 unnecessarily. We don't want to bring him in as a defendant or
 3 in any lawsuit anywhere without trying to determine whether or
 4 not — what his involvement is with DenTek.

5 If, in fact, the defendants are correct and his
 6 involvement is minimal, he hasn't disclosed anything to DenTek,
 7 then we will have — quickly get in and out of the depositions.
 8 We'll be able to review a small limited amount of documents
 9 under the subpoena, and that will be the end of it. We can
 10 proceed forward.

11 There are two parts to all of these subpoenas, your
 12 Honor. There is request for production of documents, which we
 13 are entitled to have; and then the issue that we're discussing
 14 here, which is the timing of the actual depositions themselves.
 15 And we are very willing to be flexible with regard to the
 16 timing of those.

17 Mr. Duane's case, we wanted his deposition as quickly
 18 as possible, because we have here one of the top five former
 19 officers all of a sudden showing up representing a defendant in
 20 a lawsuit — excuse me — representing a company that we have
 21 sued, and who has just entered into the market with a competing
 22 product. (unintelligible) infringes trademark rights, patent
 23 rights, copyrights, and, basically, is engaged in unfair
 24 competition.

25 The Tufts individuals —

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1 By the way, Mr. Duane, because of his relationship
 2 with DenTek at this point, we don't really think of him as a
 3 true third party. In fact, DenTek's counsel has said that they
 4 will be representing Mr. Duane. In fact, they did file a
 5 response to the subpoena duces tecum on Friday. In that
 6 response, they did say that they would be producing some
 7 documents.

8 There is a draft protective order that the parties
 9 have routed around. We're awaiting comments back from the
 10 defendants. And as soon as we have that agreement by all
 11 parties and entered by the Court, then we can actually get to
 12 the document production.

13 With regard to the Tufts doctors, they also are not
 14 true third parties. They had a consulting — confidential
 15 consulting agreement with Dental Concepts prior to the
 16 acquisition. And, in fact, Medtech was involved with about
 17 eight months of negotiations with these three Tufts doctors to
 18 do continued work for them until they backed out at the last
 19 minute, claiming that they had an unspecified agreement with an
 20 unspecified — excuse me. I think it was an unspecified
 21 company. They said they can't go into this. Why they didn't
 22 bring it up sometime in the prior eight months, we don't know.

23 Given all the circumstances of what has now occurred
 24 since that time, namely, the introduction of a competing
 25 product that we claim infringes our patent, and the fact that

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1 DenTek has achieved approval from the FDA now for
 2 over-the-counter sales — in fact, they used the same law firm
 3 that we used the prior year — we have strong suspicions that
 4 the Tuft doctor may have — Tufts doctors may have information
 5 that is relevant to this case. If, in fact, it turns out that
 6 they don't, we've gotten them out of the way early on in the
 7 case, and we can move on.

8 And the date for those, your Honor, has now been set.
 9 I believe we have noticed those for the week of the 23rd,
 10 beginning the week of the 23rd.

11 THE COURT: July 23rd.

12 MR. RAMAGE: July 23rd.

13 THE COURT: Mr. Shalek?

14 MR. SHALEK: Yes, your Honor.

15 I think in the first instance, Mr. Ramage has been
 16 very candid in saying that what he hopes to do is go and find a
 17 violation, rather than prove one that's been raised by the
 18 pleadings.

19 If, in fact, the Court is inclined to allow discovery
 20 to go forward of these parties, what we have in the case is a
 21 patent, a trademark and a copyright claim, along with some
 22 general unfair competition that relates to that. We still
 23 don't know what the confidential information that they claim
 24 has been taken, as we still don't have it in the pleading.

25 But what we would propose is that if they go forward

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1 with those depositions that they be required, before they be
 2 permitted to amend the complaint, to identify with specificity
 3 what, in fact, the trade secrets and confidential business
 4 information is.

5 Our position, your Honor, is, frankly, they should
 6 have to do it today in order to go forward. But if the Court
 7 is inclined to let these depositions go forward, to let them
 8 try and find something, we think it's only fair that before we
 9 get into a new lawsuit, we know what it's about.

10 And, your Honor, relative to scheduling, Mr. Ramage
 11 has said the depositions have been — subpoenas have been set
 12 for the 23rd, 24th, 25th. We weren't even consulted before
 13 these subpoenas were served. And I think it just is a matter
 14 of courtesy that counsel ought to work with us in finding some
 15 available dates.

16 I know, for example, that Mr. Duane's available the
 17 26th or 27th, but not available the specific date they
 18 subpoenaed him. They draw up the subpoena on him on June 30th
 19 with a return date on document production on July 6th, and
 20 deposition on July 10th.

21 THE COURT: Ms. Helmer, I think you're up, if you have
 22 anything to add.

23 MS. HEIMER: No, your Honor. We are — pardon me,
 24 your Honor. We represent Medtech/Power Products, Inc. We're
 25 are not involved with the patent claims or the "trade secret"

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1 claims that are at issue between the plaintiff and DenTek?
 2 (Pause)

3 THE COURT: Might I inquire. In the transcript before
 4 Judge Bryant, there was some indication, Mr. Ramage and
 5 Mr. Shalek, that your clients were talking about a possible
 6 disposition. Is that no longer a possibility?

7 MR. RAMAGE: In fact, we're meeting, your Honor, this
 8 afternoon at 2:30.

9 And by the way, the 26th, 27th, if that is a date that
 10 the defendant's counsel is saying will be acceptable to
 11 Mr. Duane, that's perfectly acceptable with us, as well.

12 THE COURT: Well, it's not my practice to micromanage
 13 dates unless counsel are so completely at odds with one another
 14 that they can't do it themselves. Especially with this number
 15 of attorneys, it ends up being very difficult, and I'd like to
 16 leave it in counsel's hands.

17 What I suggest is that while you're here, you talk to
 18 each other, you find some dates that everybody can work out,
 19 and then try to find within those dates some dates that the
 20 various witnesses can reach.

21 I'm going to order the motion to amend held in
 22 abeyance, pending some initial discovery. I'm going to allow
 23 the discovery to go forward.

24 It seems to me that it is sufficiently related to the
 25 pleadings and, certainly, the proposed pleadings, that it falls

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